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## AGRICULTURAL ECONOMICS—DISCUSSION.

J. B. MORMAN: In the first place I desire to call attention to the *nature* of farm products which places them in an entirely distinct class from many other marketable goods. Agricultural products are (1) *necessary goods*, that is, we must have them in order to live, and be clothed, and furnish our homes, etc.; and (2) agricultural products are many of them extremely *perishable*. This last feature is the one which emphasizes the need for the best facilities for the grading and marketing of farm products so as to bring the best results to the producers and the best goods in the best condition to the consumer.

It may be laid down at the outset as a general principle that the more perishable the product the more effective is the principle of coöperation. Thus, if a farmer is engaged in the production of the more stable crops, as cotton, corn, wheat, potatoes, tobacco, flax, etc., it is not absolutely necessary that he rush them to market as soon as harvested in order to get any returns at all, for they will keep for many months with little or no deterioration, and, in fact, may improve in quality with the lapse of time. And, again, there may be a financial advantage in holding the crop for a limited length of time in the expectation of a rise in the market values of the farmer's products. But this is not the case with many other crops and farm products. The daily call of the cities is for fresh milk, poultry, eggs, butter, fruits, vegetables, and so on; and the great perishability of most of these products makes their grading and rapid marketing absolutely necessary, in

order to bring a fair compensation to the producer and satisfactory goods to the consumer.

It would be natural, therefore, to expect that coöperation would develop most rapidly among farmers who raise goods of a perishable nature, and this supposition is borne out by the facts. In all countries the greatest number of societies is to be found among those engaged in the production and marketing of dairy products, meat and poultry products, fruits, vegetables, and other readily perishable goods. Evidently, therefore, for the welfare of all concerned, it is absolutely essential that the economic and social machinery engaged in the care, handling, transportation and distribution of such goods be of the best as regards cleanliness, neatness, and dispatch.

Now, the transportation of such products from their places of production to the great centers of population, which constitute the chief markets, involves at the present time long hauls in fast trains, equipped especially for just such traffic. Thus cars must be iced and well ventilated in summer and warmed in winter. Great care must be exercised in the handling of such goods, and delivery must be made promptly on arrival at destination. The transportation of perishable agricultural products as a rule now requires more skilled labor, careful supervision and management, and special service. This means extra expense to transportation companies and, consequently, extra charges. It is this element as much as any which has called into greater activity the coöperative movement among farmers with the growth of cities and the development of society. It has been thought that by combining into associations for the purpose of shipping in bulk rather than in small quantities, reduction in transportation charges could be brought about. This has been the case both in Europe and the United States, the transporta-

tion companies in the past having met the farmers half way on all such reasonable propositions; and thus there has been a saving on transportation rates to individual shippers, and particularly to small farmers, as a result of coöperation.

The question of the increased returns to the producers for their farm products as a result of coöperation is also worthy of mention. One of the requirements of those entering a coöperative organization is that the goods offered for sale through the society come up to a fixed standard, and every inducement is set before members to improve the quality of their products so as to give the goods of their particular organization a standing in the markets of the world. This is done on the theory that goods well packed and graded will secure a higher price than those not so marketed. As a rule this result has also been accomplished, as witness the high prices of Danish butter, bacon, and eggs on the London market, of Irish dressed poultry and other products on the Liverpool market, and of the packs of fruits by certain coöperative fruit growers on many American markets. To cite a particular case: The Hood River Fruit Growers' Union of Oregon, a combination of more than a hundred growers, in four years, by the excellency of their fruits and the uniformity and high quality of their packs, raised the price of apples from 85 cents to \$2.50 and \$3.15 per box, according to grade and variety of the fruit. Apples shipped to England in 1906 netted this association \$1.32 per box for the same grade that sold in the United States for 85 cents.

Some Canadian fruit growers' associations secured equally good or better results for their members by the sale of their packs on the Liverpool and London markets as a result of careful grading and marketing of their products.

As a general rule, therefore, it can be said that the results of coöperation to farmers in the grading and marketing of their products have been reduced transportation rates, the placing of a better quality of goods on the market, and increased prices. These have been the general results the world over.

The economic limitations of coöperation are more apparent when we examine the results of the movement as regards the elimination of the middleman. Very little of the agricultural produce raised in the United States is sold direct from producer to consumer. The great bulk goes through the hands of commission merchants and through them to retail dealers who sell to consumers. While this method now seems inevitable because of the complex organization of society, the aim of coöperation has been either to eliminate the middleman altogether or to cut down his profits so as to assure greater returns to the producers. But the very organization of industry, whether individual or coöperative, creates middlemen, whose function it is to serve as the agents between farmers and the consumers of agricultural produce. Coöperative organizations *have not been able to dispense with the economic machinery of distribution*. In the United States, where the coöperative grading and marketing of vegetables have reached the highest degree of perfection, the custom of associations is to send to the most important distributing points agents whose duty it is to inspect all cars of produce coming into their territory. The purpose of inspection is to protect the association from dishonest buyers and adjust differences that arise when produce actually reaches the buyer in poor condition. The agent, therefore, is more or less of a middleman, for his salary takes the place of the ordinary commission merchant's profits. In like manner when

dairy products are manufactured, a coöperative association has to employ overseers and factory hands; where eggs are collected, graded, and marketed, the coöperative associations have to employ managers, packers, clerks, and other workmen. In fact, the only difference between the commercial and coöperative systems is that with the latter the expenses are under the control of the organization, and what can be saved in running expenses helps to increase the returns to the producers, whereas over the profits of the commercial middleman the producer has no control. That the middleman's profits were frequently large and out of all proportion to the value of the economic or sociological functions performed, there can be no question; that the small farmer was frequently placed in an unenviable position on account of the perishability of his goods and his absolute dependence upon the honesty of the commission merchant through whom he did business, is also beyond question. In very few cases, however, has it been possible to eliminate the middleman altogether, though coöperation has in some instances dispensed with the need of the itinerant buyer. The expenses of such organizations are sometimes very large, and this materially reduces the returns to the producers: thus, to cite a particular case, the Grand Junction Fruit Association of Colorado. This coöperative concern in 1906 did a total business of \$814,278.62, of which the sum of \$555,813.44 was paid to growers as the price of their fruit and in premiums. Therefore, the expenses for the year 1906 amounted to \$258,465.18, or nearly one-third the total value of the business transacted. Whether or not the fruit growers would have received as much had they shipped their produce as individuals to commission merchants, it is impossible to say; but the figures prove that coöperation cannot dispense with the economic ma-

chinery of the middleman nor escape altogether from what are sometimes regarded as his "enormous profits." But it was to equalize the rewards of labor on the part of these two parties (the farmer and the middleman), in the production and distribution of agricultural produce, that called into being the coöperative organizations, and little consideration has been given as to what would be the effect of the movement on the welfare of the third party in the transaction—the consumer.

Now, it is a well known economic fact that the consumer has to pay in the final purchase price of his goods the sum total of all costs which the complication of modern industry involves,—that is, the costs of production, transportation, wholesale and retail distribution, and the profits of each party. For men are not in business for charity. Consequently, with the development of the social machinery of distribution there has been a gradual rise in prices to the consumer for those particular forms of agricultural produce which constitute our daily necessities of life. Moreover, there seems no reason to expect that coöperation will reduce to any extent, if at all, the price of farm produce to consumers; for the general objects of coöperative associations are to secure to producers all possible advantages in the marketing of their produce and to build up a standard of excellence. These are certainly worthy objects, but they only affect the consumer as regards the quality of goods offered for sale for which, as a general rule, an increased price has to be paid.

In view of these economic limitations in the results of coöperation in the marketing of agricultural produce, I will conclude with a few general deductions:

(1) AS TO THE IMPROVEMENT IN THE QUALITY OF THE PRODUCTS.

This is not a necessary consequence of coöperation. While as a rule the aim of associations is to bring all members up to the same standard, where products are pooled, where individual members do their own packing, the inspection of such packs often results in placing them in a lower grade, either on account of the bad packing or inferior quality of the goods. In other words, coöperation does not absolutely assure well-packed, first-class products. The only assurance of such a result lies in the ambition of the individual to excel, and this would bring better returns to the producer on the merits of the goods. In ordinary business dealings the better quality of products brings higher prices; and when a standard of excellence is maintained the public is usually willing to pay the higher price for the better quality of goods. There is certainly an economic limit, then, to coöperation in this direction.

(2) AS TO THE ELIMINATION OF THE MIDDLEMAN.

This has not taken place, though there has been a modification of the middleman's control over products consigned to him for sale. This is accomplished by the association's own agent at a salary, and in this capacity performs the business functions of the commercial middleman. Under the coöperative régime, therefore, the commercial relations still prevail, though in a form under the control of the association.

(3) AS TO THE BENEFITS TO CONSUMERS.

These are absolutely negative, so far as the reduction in the cost of the means of subsistence is concerned. The possible benefit is in the supply of a better grade of goods at an increased price—a result which can and does occur under individualistic production and marketing of agricultural products.

Though these difficulties which exist as a result of



social organization may not be overcome by means of co-operation, still the movement is worthy of commendation. The great benefits that have followed the institution of coöperative societies among farmers the world over, especially in the advantages that fall to the lot of the small farmer, who in many respects is placed on the same economic level as the large grower and shipper, prove it to be one of the most practical agencies yet conceived and put in operation for promoting the real welfare of the agricultural classes.

The purpose of calling attention to these facts is to contrast the negative with the positive results of the movement. In addition to such benefits as the securing of higher prices to farmers, easier methods of securing credit, better returns for labor, better terms in purchasing supplies, and cheaper transportation rates,—coöperation has had this important result in that it has had a tendency to keep the people on the land, and thus, to some extent, to diminish the tendency of overcrowding in cities. And how to keep the people on the land is one of the most serious of problems the world over. Therefore, any movement that has a tendency to encourage the pursuit of agriculture should receive the heartiest support of national governments. In view of the facts in the case, there is no movement so commendable at the present time as the co-operative organization of agriculture, the industry that of all industries possesses within its range the chief factors for promoting the highest degree of national welfare.

T. N. CARVER: Professor Emery's paper was to me very suggestive and instructive. One theoretical inference from his discussion is that where a certain necessary economic function is performed by men who regard it as a sport or a game, it may be done very cheaply. There

is a speculative element in the buying of products whenever there is a considerable time elapsing between their production and their consumption. Somebody must assume this speculative risk. If there are in the community a considerable number of men who do this as a kind of sport, or through the gratification of the gambling instinct, it may be done very cheaply; in other words, there will be a very small margin between the price which the producer gets and the price which the consumer has to pay.

Mr. Morman's paper on coöperation in agriculture is chiefly interesting to me for the reason that it shows very clearly that there is no real coöperation in agriculture. Generally speaking, there are two types of coöperation,—one that in which the people who do the work coöperate among themselves in the doing of it, the other is where a number of people coöperate in order to get some other kind of work done as cheaply as possible. The first I should call true coöperation, the second quasi coöperation. For example, I once visited a so-called coöperative shoe factory. One might expect that a coöperative shoe factory would be one in which the operators ran their own plant, and ran it coöperatively. This was nothing of the kind. The operators were hired just as they are in a privately owned plant, and were paid the same wages as in a privately owned plant. It was a coöperative factory only in the sense of being owned by a coöperative society which wanted to get shoes as cheaply as possible. That is, they were coöperating not in their work, but in order to get other work done for them as cheaply as possible. This seems to be the only kind of coöperation which is found among the farmers of this country. In other words, there is no evidence that there is any real coöperative farming, where the farms are run and owned coöperatively by the people who do the work.